



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

1520 Market St., Suite 3005
St. Louis, Missouri 63103-2630
(314) 657-3490
Fax: (314) 552-7670

DR. KENNETH M. STONE, CPA
Internal Audit Executive
July 25, 2012

FILE COPY

Benjamin C. Washington, CPA
Grace Hill Settlement House
2600 Hadley Street
St. Louis, Missouri 63106

RE: Homelessness Prevention and Rapid Re-Housing Program (HPRP) (Project #2012-HOM28)

Dear Mr. Washington:

Enclosed is a report of the fiscal monitoring review of the Grace Hill Settlement House, a not-for-profit organization, HPRP Program, for the period October 1, 2011 through March 31, 2012. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of Grace Hill Settlement House. Fieldwork was completed on June 20, 2012.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis, Department of Human Services (DHS), to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Antoinette Triplett, Manager II, DHS
Parimal Mehta, Fiscal Manager, DHS



CITY OF ST. LOUIS

**DEPARTMENT OF HUMAN SERVICES (DHS)
HOMELESSNESS PREVENTION AND RAPID RE-HOUSING
PROGRAM (HPRP)**

**GRACE HILL SETTLEMENT HOUSE
CONTRACT #60603
CFDA #14.257**

FISCAL MONITORING REVIEW

OCTOBER 1, 2011 THROUGH MARCH 31, 2012

PROJECT #2012-HOM28

DATE ISSUED: July 25, 2012

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
HOMELESSNESS PREVENTION AND RAPID RE-HOUSING PROGRAM
(HPRP)
GRACE HILL SETTLEMENT HOUSE
FISCAL MONITORING REVIEW
OCTOBER 1, 2011 THROUGH MARCH 31, 2012**

TABLE OF CONTENTS

Description	Page(s)
INTRODUCTION	
Background	1
Purpose	1
Scope and Methodology	1
Exit Conference	1
SUMMARY OF OBSERVATIONS	
Conclusion	2
Status of Prior Observations	2
A-133 Status	2
Summary of Current Observations	2
DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES	3-7

INTRODUCTION

Background

Contract Name: Grace Hill Settlement House

Contract Number: 60603

Contract Period: October 1, 2011 through July 31, 2012

CFDA Number: 14.257

Contract Amount: \$2,200,000

The contract provided Homelessness Prevention and Rapid Re-Housing Program (HPRP) funds to Grace Hill Settlement House (Agency) to provide financial assistance and services to either prevent individuals and families from becoming homeless or to help those who are experiencing homelessness to be quickly re-housed and stabilized in the greater metropolitan St. Louis area.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state, and local Department of Human Services' (DHS) requirements for the period October 1, 2011 through March 31, 2012 and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by DHS. Evidence was tested supporting the reports the Agency submitted to DHS and other procedures were performed as considered necessary. Fieldwork was completed on June 20, 2012.

Exit Conference

An exit conference was conducted at Grace Hill on July 24, 2012. Grace Hill was represented by the CEO, CFO, and Program Manager. The internal audit section was represented by the Auditor-in Charge and an Auditor II. DHS was represented by the Fiscal Manager and the Contract Compliance Officer.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state, and local DHS requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2011-HOM20 issued November 1, 2011 contained one observation:

- The Agency did not require two authorized signatures on grant disbursement checks (not-resolved).

A-133 Status

The Agency expended \$500,000 or more in federal funds for the fiscal year ending June 30, 2011 therefore, it was required to have a single audit in accordance with OMB Circular A-133. As of the fieldwork completion date, the report had not been completed.

The 2011 report was not available during the audit visit. Therefore, IAS is unable to review the report for technical accuracy.

Summary of Current Observations

Recommendations were made for the following observations, which if implemented could assist the Agency in fully complying with federal, state, and local DHS requirements.

1. Opportunity to provide adequate accounting records and to improve cash management (Questioned cost \$6,125.00)
2. Opportunity to comply with HPRP housing status eligibility
3. Opportunity to provide/maintain sufficient supporting documentation
4. Opportunity to submit monthly financial reports in a timely manner

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Opportunity To Provide Adequate Accounting Records And To Improve Cash Management (Questioned Cost \$6,125.00)

The following non-payroll expenses claimed by the Agency from January and February 2012 have been reimbursed to the Agency from DHS; however, reimbursement could not be traced back to accounting records and bank statements. Consequently, it could not be determined if these expenses were actually paid.

Check Number	Check Date	Status	Check Amount
2323	2/10/2012	Outstanding	\$ 1,100.00
2341	2/10/2012	Outstanding	\$ 572.00
2250	1/2012	Outstanding	\$ 1,253.00
2896	1/2012	Outstanding	\$ 3,200.00
			<u>\$ 6,125.00</u>

Section 15 of the contract says that the Contractor shall keep and maintain adequate, legible, genuine, current, and complete records of services rendered under the terms of this agreement and shall make all such records available to the City.

Section 25 of the contract says that the Contractor must maintain financial and accounting records and evidence pertaining to the contract in accordance with generally accepted accounting principles and other procedures specified by the City.

The Agency does not have a system of internal controls in place to ensure compliance with DHS grant funds disbursement requirements.

Non-compliance with DHS grant-fund disbursement requirements may result in suspension or termination of the grant.

Recommendation

It is recommended that the Agency:

- Establish a system of internal controls to ensure compliance with DHS grant disbursement requirements.
- Review all expenditures from the beginning of the grant period to look for any additional outstanding checks.
- Review the bank reconciliations and investigate for outstanding checks more than 90 days relating to the grant.

- Cancel any checks outstanding for more than 120 days and adjust subsequent reimbursement requests.
- Repay the City \$6,125.00 for the expenditures reimbursed with grant funds that could not be traced to the Agency's bank statements.

Management's Response

Management concurs with the observations related to the outstanding checks. Management does not concur with the conclusion that the Agency does not have a system of internal controls in place to ensure compliance with DHS grant funds disbursement requirements.

Management provided the City of St. Louis with its written cash disbursement narratives which specifically outlined the internal controls. The system of internal controls is adequate and is operating as intended to mitigate any financial risks.

Management generates a check based on an approved Check Request supported by the appropriate evidence to substantiate the payee, dollar amount, and reason for the payment. The issuance of a check is to constructively make payment to the applicable payee. After a check has been issued, Management does not control when the payee submits a check for payment. Consequently, it is appropriate for Management to report issued, but uncashed checks as outstanding checks.

Management acknowledges that events subsequent to the issuance of the checks occurred and the originally issued checks should have been voided and re-issued. The lack of communication between the Program office and Finance office contributed to the original issued checks not being voided and re-issued. This was an inadvertent oversight, not a deficiency in the system of internal controls over cash disbursements.

Program management will immediately notify Finance management when it becomes aware that checks should be voided and re-issued. Appropriate and timely actions have been taken to adjust the effect of the transactions on subsequent billings. See the attached applicable billings below.

<i>Check Number</i>	<i>Check Date</i>	<i>Status</i>		<i>Check Amount</i>
2323	2/10/2012	Outstanding	<i>adjusted on the June final billing.</i>	\$ 1,100.00
2341	2/10/2012	Outstanding	<i>adjusted on the June final billing.</i>	\$ 572.00
2250	1/2012	Outstanding	<i>adjusted on the June final billing.</i>	\$ 1,253.00
2896	1/2012	Outstanding	<i>adjusted on the May billing 2.</i>	\$ 3,200.00
				<i>\$ 6,125.00</i>

Auditor's Comments

The Agency has reduced future billings to offset the questioned cost amount of \$6,125.00; therefore these funds have been returned to the City.

2. Opportunity To Comply With HPRP Housing Status Eligibility

Ten client files were examined for compliance and did not properly document whether the client is receiving rental assistance or has left the program. The files contain preliminary documentation which determines eligibility; however, none of them had any information to dictate if the client received any additional assistance after the first check was issued, or there was no additional follow up.

HPRP program guidelines require all clients receiving assistance to be reevaluated quarterly. There was no supporting documentation in the files of such a reevaluation. Additionally, a site visit was performed by DHS on March 29, 2011 noting that client files were incomplete and recertifications should be completed for all applicable clients in a timely fashion.

Paragraph 2 of the HPRP Eligibility Determination and Documentation Guidance published by the U.S. Department of Housing and Urban Development states "HUD requires grantees to evaluate and certify the eligibility of HPRP program participants at entrance and at least once every 3 months for all households..." Paragraph 5 refers to document standards and states "...they [the agency] are also responsible for maintaining this documentation in the HPRP participant case file once approved for assistance."

Grantees with insufficient case file documentation may be found out of compliance with HPRP program regulations could result in questioned costs and/or repayment of funds.

Recommendation

It is recommended that the Agency comply with HPRP program guidelines and reassess client files.

Management's Response

All HPRP clients that have received assistance are recertified quarterly. This information is communicated to clients during their initial assessment. Each client receives a follow-up letter 90 days after their initial intake date in an effort to determine if ongoing financial assistance is needed. The follow-up documentation is also up-dated in ROSIE. ROSIE is the database management system that case managers use to track client contacts and client status. Program staff will ensure that each client file has a copy of the recertification letter and ROSIE printout substantiating communications with clients about recertification.

3. Opportunity To Provide/Maintain Sufficient Supporting Documentation

Payroll was tested for the months of December 2011 and February 2012. In each monthly reimbursement request, the Agency used generic titles such as "case manager" and "intake clerk;" however, there were no names assigned to these positions.

The DHS Fiscal Procedures Manual section VI states that salary requests must be accompanied by the payroll registers and paid in accordance with the contract and MUST contain the following information:

- a.) Inclusive dates of the pay period
- b.) Name of the employee
- c.) Budget position title of the employee
- d.) Hours paid

Not assigning individual names to a position can result in paying individuals who are not authorized to be paid under the grant.

Recommendation

It is recommended that the Agency revise their reporting formats to mirror those required to be used in the DHS Fiscal Procedures Manual to report payroll expenditures.

Management's Response

Management concurs with the observation, but believes that there was no financial risk associated with this observation. Specifically, Management does not identify the individuals to bill to the City of St. Louis by employee names. Costs associated with the Hope Is Moving In (HIMI) or the Homelessness Prevention And Rapid Re-Housing (HPRP) program are captured by a specific Program Code. General ledger trial balances, payroll labor distributions, and other finance records are extracted from the applicable program code associated with HIMI / HPRP. These documents are routinely reviewed by Management to ensure the accuracy and completeness of the dollars captured and charged to the HIMI / HPRP program.

Management will include the requested employee related information in all future billings.

4. Opportunity To Submit Monthly Financial Reports In A Timely Manner

Vouchers submitted for payment were examined for the contract year 2012; results are in the table below.

Reporting Month	Due Date	Date Submitted	Number of Days Late
October 2011	November 10, 2011	November 18, 2011	8
November 2011	December 10, 2011	February 13, 2012	65
December 2011	January 10, 2012	February 13, 2012	34
January 2012	February 10, 2012	February 16, 2012	6
February 2012	March 10, 2012	March 21, 2012	11
Total days late			124
Average days late			24.8

The DHS grant contract agreement states "...the contractor shall submit to the City, no later than ten (10) days following the end of each calendar month this contract in effect, an expenditure report..."

The Agency does not have a system of internal controls in place to ensure compliance with the reporting requirements of the grant contract agreement.

Non-compliance with the DHS grant contract agreement may cause a delay in receiving funds or suspension in the processing of reimbursement requests, resulting in interruption in the Agency's services to its clients.

Recommendation

It is recommended that the Agency establish a system of internal controls to ensure compliance with the DHS grant contracts' reporting requirements.

Management's Response

Management concurs that vouchers submitted for payment were delinquent. Management explained the delinquency to [the DHS] Specifically, the delinquency did not result from not having a system of internal controls, but from significant staff turnover, having insufficient staff to timely perform the billings, and ensuring that staff had proper instructions to execute the billing process.